

PROJECT DESCRIPTION

GFP Organic Foods Expansion

Tanzania

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Golden Food Products (GFP) is a limited liability company that was registered in 1998. It is based in Arusha, Tanzania where it processes, packages, and sells retail branded products including fruit jams, all-natural peanut butter, and honey. GFP sells 15 varieties of branded and attractively packaged products (jams, peanut butter, and honey) directly to hotels, restaurants, tourism companies and supermarkets throughout Tanzania. GFP was the recipient of a previous ADF Enterprise Development Investment. The company would like to increase its market share and become a leading manufacturer of high quality organic foodstuffs; however, critical infrastructure needs, inadequate equipment and vehicles, limited working capital funds, and a lack of HACCP certification have prevented GFP from realizing its potential.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 8 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

B. Grantee Contribution

GFP will contribute the time and skills of its staff in the implementation of the Project.

IV. Project Goal

The goal of the GFP Project is to improve the standard of living of organic fruit, herbs, and spices farmers, their families, and their communities in the Tanga region and the employees and their families of GFP in the Arusha region.

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V. Project Purpose

The purpose of the Project is to increase GFP's income and that of its employees and its suppliers as follows:

- A. GFP's net income (before taxes and depreciation) will increase from TZS 182,772,000 in the Project's base year to:
 1. TZS 200,000,000 in Year 1;
 2. TZS 280,000,000 in Year 2; and
 3. TZS 360,000,000 in Year 3.
- B. Total salaries and wages paid to workers (full time and part time) will increase from TZS 60,738,000 in the Project's base year to:
 1. TZS 75,000,000 in Year 1;
 2. TZS 95,000,000 in Year 2; and
 3. TZS 130,000,000 in Year 3.
- C. The value of raw materials purchased from farmers will increase from TZS 301,182,000 in the Project's base year to:
 1. TZS 380,000,000 in Year 1;
 2. TZS 500,000,000 in Year 2; and
 3. TZS 650,000,000 in Year 3.

VI. Project Outputs

By the end of the Project period, the capacity of GFP to produce and market its products will increase as evidenced by the following. GFP's sales revenue will increase from TZS 795,362,000 in the Project's base year to:

- A. TZS 900,000,000 in Year 1;
- B. TZS 1,250,000,000 in Year 2; and
- C. TZS 1,550,000,000 in Year 3.

VII. Project Activities

GFP will ensure the following major activities are completed with the assistance of consultants where necessary.

- A. Improve the processing capacity of GFP by the following.
 1. Purchasing and installing a refrigerated container for fruit storage. Currently, GFP is only able to purchase a limited amount of fruit and process it into jams during the harvest season. With a cold storage facility, GFP will purchase more fruit during harvest season and store it for processing for an extended period of

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time. Thus GFP will no longer be limited to purchasing only what they are able to process immediately.

2. Purchasing and installing jam processing and packing machines. The process currently used by GFP staff to process and package jams and peanut butter is largely manual and introduces the possibility for contamination of the food product. To cope with this, GFP uses artificial preservatives to maintain the quality of its jams. To make a safe, all-natural product, GFP will purchase and install a mechanized system that will process the fruit into jam and pack it into sanitized jars. This will allow GFP to stop using preservatives and market its products as all-natural.
3. Purchasing and installing a spice drier. Currently GFP struggles to meet the stringent demands of its European export market, which generally requires the moisture content of spices to be below 10%. The equipment currently in use at GFP is obsolete and can only dry spices to a moisture content of around 14%. The spice drier will allow GFP to make a higher quality product to meet the demands of a lucrative European market.
4. Purchasing a spice grinding mill. At this time, GFP's spices are shipped from their facilities whole and require grinding before they are ready for sale in Europe. The grinding is done by a European firm, and GFP loses considerable profits by not shipping the spices ready for sale. The purchase of a grinding mill will allow GFP to finish processing the spices and capture a larger percentage of the sale price of its spices.
5. Purchasing a motor vehicle for the distribution of finished food products. The vehicle that GFP currently uses dates back to 1994, is very worn out, and often has to be repaired. Purchasing a new vehicle will enable them to have a more reliable form of transportation.

B. Improve marketing of organic food products by undertaking the following:

1. Implementing a Hazard Analysis Critical Control Point (HACCP) system for spice production. A consultant will be tasked with helping GFP train its workers and reconfigure its system to comply with HACCP standards. Once GFP has come into compliance with HACCP standards, the spice production facility will be inspected and certified. This certification will improve marketing of GFP spices.
2. Carrying out a marketing campaign within Tanzania by developing and posting posters, handing out brochures, and placing adverts on television to promote jam and peanut butter produced by GFP.

VIII. Roles and Responsibilities of the Parties

ADF's Partner in Tanzania will provide the standard ADF training in bookkeeping, monitoring and assessment. GFP is responsible for ensuring the proper management and implementation of the Grant. The ADF Partner in Tanzania will provide GFP with technical and management assistance during implementation.

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IX. Monitoring and Evaluation

ADF's partner in Tanzania will closely monitor the activities of the Association to ensure proper reporting, adherence to the Project implementation plan by the Association and movement towards the achievement of Project objectives. The Partner will continuously assess risks and take remedial action as needed. Monitoring by the Partner will be an important aspect of the on-going coaching and advisory service. The Partner will review ADF's quarterly reports and will submit comments and observations to the management of the Association as part of the on-going performance assessment.

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